

uMfolozi Municipality  
(Registration number KZN281)  
Annual Financial Statements  
for the year ended 30 June 2019  
Auditor General South Africa



## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## General Information

Legal form of entity	Local Municipality
Executive committee	
Mayor	Cllr SW Mgenge
Deputy Mayor	Cllr SR Thabethe
Speaker	Cllr ZD Mfusi
Committee Member	Cllr NT Mthiyane
Committee Member	Cllr ST Khumalo
Committee Member	Cllr BM Mkhize
Grading of local authority	1
Accounting Officer	K E Gamede
Chief Finance Officer (CFO)	K N Mithethwa
Registered office	25 Bredelia Street Kwa-Mbonambi 3915
Postal address	P.O Box 96 Kwa-Mbonambi 3915
Bankers	ABSA Bank
Auditors	Auditor General South Africa
Telephone	(035) 580-1421
Fax Number	(035) 580-1141
E-mail Address (Accounting Officer)	mm@umfolozi.org.za

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	GRAP
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	GAMAP
	Generally Accepted Municipal Accounting Practice
	HDF
	Housing Development Fund
	IAS
	International Accounting Standards
	IMFO
	Institute of Municipal Finance Officers
	IPSAS
	International Public Sector Accounting Standards
	ME's
	Municipal Entities
	MEC
	Member of the Executive Council
	MfMA
	Municipal Finance Management Act
	MIG
	Municipal Infrastructure Grant (Previously CMIP)

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The annual financial statements set out on pages 4 to 51, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2019 and were signed on its behalf by:

  
KE Gamede  
Accounting Officer

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand		30 June	30 June	Note(s)	
		2019	2018		Restated*
<b>Assets</b>					
Current Assets					
Receivables from non exchange transactions	3	10,567,279	5,558,476		
VAT receivable	5	5,778,843	6,797,663		
Cash and cash equivalents	8	5,221,196	428,466		
Non-Current Assets					
Property, plant and equipment	9	297,873,753	244,939,698		
Intangible assets	10	2,471,935	761,780		
<b>Total Assets</b>		<b>300,345,688</b>	<b>245,701,478</b>		
		<b>321,913,006</b>	<b>258,486,083</b>		
<b>Liabilities</b>					
Current Liabilities					
Other financial liabilities	11	1,223,000	1,223,707		
Finance lease obligation	12	1,329,600	1,692,401		
Payables from exchange transactions	13	23,842,840	32,169,607		
Unspent conditional grants and receipts	14	3,099,574	5,223,279		
Provisions	44	40,000	40,000		
Non-Current Liabilities					
Other financial liabilities	11	5,341,865	5,865,978		
Finance lease obligation	12	1,564,988	3,193,684		
<b>Total Liabilities</b>		<b>6,906,853</b>	<b>9,059,662</b>		
		<b>36,441,867</b>	<b>49,408,656</b>		
<b>Net Assets</b>		<b>285,471,139</b>	<b>209,077,427</b>		
Accumulated surplus		285,471,139	209,077,427		

\* See Note

# uMfolozi Municipality

(Registration number KZN281)  
Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand		Note(s)	30 June 2019	30 June 2018	Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	15		507,677	476,258	
Rental of facilities and equipment	16		122,991	163,424	
Licences and permits	17		349,813	517,889	
Operational revenue	17		633,346	374,628	
Interest received	18		1,722,436	1,123,224	
<b>Total revenue from exchange transactions</b>			<b>3,336,263</b>	<b>2,655,423</b>	
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	19		26,577,950	13,483,564	
<b>Transfer revenue</b>					
Government grants & subsidies	20		167,847,302	157,333,045	
Fines, Penalties and Forfeits	21		32,896,612	5,416,098	
Donations received	21		1,730,721	1,128,147	
<b>Total revenue from non-exchange transactions</b>			<b>229,052,585</b>	<b>177,360,854</b>	
<b>Total revenue</b>			<b>232,388,848</b>	<b>180,016,277</b>	
<b>Expenditure</b>					
Employee related costs	22		(56,218,771)	(47,634,576)	
Remuneration of councillors	23		(10,841,649)	(10,490,739)	
Depreciation and amortisation	24		(9,257,787)	(8,032,064)	
Impairment loss	25		-	(7,663,718)	
Finance costs	26		(1,175,999)	(1,609,652)	
Lease rentals on operating lease	27		(607,382)	(578,773)	
Debt impairment	28		(3,387,030)	(6,456,397)	
Transfers and Subsidies	29		(562,087)	(1,531,755)	
Operational costs	30		(35,188,302)	(30,669,960)	
<b>Total expenditure</b>			<b>(155,400,431)</b>	<b>(159,365,773)</b>	
<b>Operating surplus</b>			<b>76,988,417</b>	<b>20,650,504</b>	
(Loss) gain on disposal of assets and liabilities			(599,778)	216,227	
<b>Surplus for the year</b>			<b>76,388,639</b>	<b>20,866,731</b>	

\* See Note

# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand		
Accumulated	Total net	
surplus	assets	
188,200,604	188,200,604	Opening balance as previously reported
(87,719)	(87,719)	Adjustments
(87,719)	(87,719)	Correction of errors
97,811	97,811	Correction of errors
<b>188,210,696</b>	<b>188,210,696</b>	<b>Balance at 01 July 2017 as restated*</b>
20,866,731	20,866,731	Changes in net assets
20,866,731	20,866,731	Surplus for the year restated
		Total changes
		<b>Restated* Balance at 01 July 2018</b>
209,082,500	209,082,500	Changes in net assets
76,388,639	76,388,639	Surplus for the year
76,388,639	76,388,639	Total changes
76,388,639	76,388,639	<b>Balance at 30 June 2019</b>
<b>285,471,139</b>	<b>285,471,139</b>	

\* See Note

# uMfolozi Municipality

(Registration number KZN281)  
Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand		Note(s)	30 June 2019	30 June 2018 Restated*
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Sale of goods and services	20,485,192		5,269,875	
Grants	167,847,302		158,960,007	
Interest income	1,280,219		1,123,224	
Other receipts	31,446,861		179,128	
Fines	217,325		294,320	
	221,276,899		165,826,554	
<b>Payments</b>				
Employee costs	(67,060,420)		(58,125,315)	
Suppliers	(82,147,757)		(73,701,932)	
Finance costs	(761,621)		(1,609,652)	
Other payments	(607,387)		-	
	(150,577,185)		(133,436,899)	
<b>Net cash flows from operating activities</b>	<b>70,699,714</b>	<b>33</b>	<b>32,389,655</b>	
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(61,325,559)	9	(30,437,078)	
Proceeds from sale of property, plant and equipment	1,080,469	9	648,000	
Purchase of other intangible assets	(2,044,877)	10	(112,454)	
<b>Net cash flows from investing activities</b>	<b>(62,289,967)</b>		<b>(29,901,532)</b>	
<b>Cash flows from financing activities</b>				
Repayment of other financial liabilities	(1,625,520)		(1,223,708)	
Finance lease payments	(1,991,497)		(2,449,668)	
<b>Net cash flows from financing activities</b>	<b>(3,617,017)</b>		<b>(3,673,376)</b>	
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>4,792,730</b>		<b>(1,185,253)</b>	
Cash and cash equivalents at the beginning of the year	428,466		1,613,719	
<b>Cash and cash equivalents at the end of the year</b>	<b>5,221,196</b>	<b>8</b>	<b>428,466</b>	

\* See Note



# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

### Statement of Financial Performance

Figures in Rand					
Approved	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between budget and actual	Reference
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
400,000	282,128	682,128	507,677	(174,451)	43
220,000	(78,128)	141,872	122,991	(18,881)	43
420,000	-	420,000	567,327	147,327	43
475,000	(175,000)	300,000	349,813	49,813	43
276,000	-	276,000	633,346	357,346	43
326,000	382,000	708,000	1,155,109	447,109	43
<b>Total revenue from exchange transactions</b>					
2,117,000	411,000	2,528,000	3,336,263	808,263	
<b>Revenue from non-exchange transactions</b>					
158,637,000	4,361,000	162,998,000	167,847,302	4,849,302	43
-	33,560,000	33,560,000	32,896,612	(663,388)	43
450,000	(150,000)	300,000	1,730,721	1,430,721	43
<b>Total revenue from non-exchange transactions</b>					
169,883,000	53,509,000	223,392,000	229,052,585	5,660,585	
<b>Total revenue</b>					
172,000,000	53,920,000	225,920,000	232,388,848	6,468,848	
<b>Expenditure</b>					
(56,655,935)	(342,969)	(10,833,709)	(56,218,771)	437,164	43
(10,490,740)	(6,020,196)	(8,020,196)	(9,257,787)	(1,237,591)	43
(2,000,000)	-	(530,000)	(1,175,999)	(645,999)	43
(400,000)	(100,000)	(500,000)	(607,382)	(107,382)	43
(750,000)	(5,358,010)	(6,108,010)	(3,387,030)	2,720,980	43
(37,761,924)	(2,504,067)	(40,265,991)	(38,161,424)	2,104,567	43
(610,000)	-	(610,000)	(562,087)	47,913	
(34,067,450)	(4,014,175)	(38,081,625)	(35,188,302)	2,893,323	43
<b>Total expenditure</b>					
(143,266,049)	(18,339,417)	(161,605,466)	(155,400,431)	6,205,035	
28,733,951	35,580,583	64,314,534	76,988,417	12,673,883	
-	-	-	(599,778)	(599,778)	
<b>Operating surplus</b>					
28,733,951	35,580,583	64,314,534	76,388,639	12,074,105	
<b>Surplus before taxation</b>					
28,733,951	35,580,583	64,314,534	76,388,639	12,074,105	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>					
28,733,951	35,580,583	64,314,534	76,388,639	12,074,105	
<b>Reconciliation</b>					

# Mfotlozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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### Statement of Financial Position

Assets					
Current Assets					
Receivables from non exchange transactions	7,500,000	-	7,500,000	10,567,279	3,067,279
VAT receivable	-	-	-	5,778,843	5,778,843
Cash and cash equivalents	3,937,000	-	3,937,000	5,221,196	1,284,196
<b>11,437,000</b>	<b>-</b>	<b>11,437,000</b>	<b>21,567,318</b>	<b>10,130,318</b>	
Non-Current Assets					
Property, plant and equipment	294,340,950	36,130,583	330,471,533	297,873,753	(32,597,780)
Intangible assets	2,200,000	(550,000)	1,650,000	2,471,935	821,935
<b>296,540,950</b>	<b>35,580,583</b>	<b>332,121,533</b>	<b>300,345,688</b>	<b>(31,775,845)</b>	
<b>307,977,950</b>	<b>35,580,583</b>	<b>343,558,533</b>	<b>321,913,006</b>	<b>(21,645,527)</b>	
Liabilities					
Current Liabilities					
Other financial liabilities	1,223,000	-	1,223,000	1,223,000	-
Finance lease obligation	-	-	-	1,329,600	1,329,600
Payables from exchange transactions	5,560,453	-	5,560,453	23,842,840	18,282,387
Unspent conditional grants and receipts	-	-	-	3,099,574	3,099,574
Provisions	-	-	-	40,000	40,000
<b>6,783,453</b>	<b>-</b>	<b>6,783,453</b>	<b>29,535,014</b>	<b>22,751,561</b>	
Non-Current Liabilities					
Other financial liabilities	4,653,547	-	4,653,547	5,341,865	688,318
Finance lease obligation	-	-	-	1,564,988	1,564,988
<b>4,653,547</b>	<b>-</b>	<b>4,653,547</b>	<b>6,906,853</b>	<b>2,253,306</b>	
<b>11,437,000</b>	<b>-</b>	<b>11,437,000</b>	<b>36,441,867</b>	<b>25,004,867</b>	
<b>296,540,950</b>	<b>35,580,583</b>	<b>332,121,533</b>	<b>285,471,139</b>	<b>(46,650,394)</b>	
Net Assets					
<b>296,540,950</b>	<b>35,580,583</b>	<b>332,121,533</b>	<b>285,471,139</b>	<b>(46,650,394)</b>	
Total Liabilities					
<b>11,437,000</b>	<b>-</b>	<b>11,437,000</b>	<b>36,441,867</b>	<b>25,004,867</b>	
Net Assets					
<b>296,540,950</b>	<b>35,580,583</b>	<b>332,121,533</b>	<b>285,471,139</b>	<b>(46,650,394)</b>	
Net Assets Attributable to Owners of Controlling Entity					
<b>296,540,950</b>	<b>35,580,583</b>	<b>332,121,533</b>	<b>285,471,139</b>	<b>(46,650,394)</b>	
Reserves					
<b>296,540,950</b>	<b>35,580,583</b>	<b>332,121,533</b>	<b>285,471,139</b>	<b>(46,650,394)</b>	

# Umtlozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

Original budget	Budget adjustments (l.o. s28 and MFM)	Final adjustments	Shifting of funds (l.o. MFM)	Virement (l.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of original budget	Actual outcome as % of original budget
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Financial Performance	10,796,000	15,738,000	26,534,000	26,534,000	26,577,950	26,577,950	43,950	100 %	246 %	135 %
Property rates	400,000	282,128	682,128	682,128	507,677	507,677	(174,451)	74 %	127 %	56 %
Service charges	220,000	(78,128)	141,872	141,872	122,991	122,991	(18,881)	87 %	56 %	135 %
Rental Facilities	420,000	-	420,000	-	420,000	420,000	567,327	147,327	135 %	135 %
Interest	475,000	(175,000)	300,000	300,000	349,813	349,813	49,813	117 %	74 %	354 %
Licences and permits	326,000	382,000	708,000	708,000	1,155,109	1,155,109	447,109	163 %	106 %	106 %
Investment revenue	158,637,000	4,361,000	162,998,000	162,998,000	167,847,302	167,847,302	4,849,302	103 %	385 %	577 %
Government grants & subsidies	450,000	(150,000)	300,000	300,000	1,730,721	1,730,721	1,430,721	577 %	98 %	229 %
Fines, penalties & forfeits	-	33,560,000	33,560,000	33,560,000	32,896,612	32,896,612	(663,388)	98 %	135 %	135 %
Public contributions and donations	276,000	-	276,000	276,000	633,346	633,346	357,346	103 %	135 %	135 %
Operational revenue	172,000,000	53,920,000	225,920,000	225,920,000	232,388,848	232,388,848	6,468,848	103 %	135 %	135 %
Total revenue (excluding capital transfers and contributions)	(56,655,935)	(342,969)	(56,655,935)	(56,655,935)	(56,218,771)	(56,218,771)	437,164	99 %	99 %	99 %
Employee costs	(10,490,740)	(5,358,010)	(6,108,010)	(6,108,010)	(9,257,787)	(9,257,787)	(1,237,591)	115 %	463 %	452 %
Debt Impairment and asset impairment	(2,000,000)	(6,020,196)	(8,020,196)	(8,020,196)	(3,387,030)	(3,387,030)	2,720,980	100 %	452 %	452 %
Depreciation and asset impairment	(530,000)	-	(530,000)	(530,000)	(1,175,999)	(1,175,999)	(645,999)	222 %	222 %	222 %
Finance charges	(37,761,924)	(2,504,067)	(40,265,991)	(40,265,991)	(38,161,424)	(38,161,424)	2,104,567	95 %	101 %	101 %
Contracted Services	(400,000)	(100,000)	(500,000)	(500,000)	(607,382)	(607,382)	(107,382)	121 %	152 %	152 %
Lease Rentals	(34,067,450)	(4,014,175)	(38,081,625)	(38,081,625)	(35,188,302)	(35,188,302)	2,893,323	92 %	103 %	103 %
Operational costs	(610,000)	-	(610,000)	(610,000)	(562,087)	(562,087)	47,913	92 %	92 %	92 %
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-

**Umfolozzi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

**Appropriation Statement**

Figures in Rand

Original budget	Budget adjustments	Final	Shifting of funds (i.e. MFM)	Virement (i.e. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of original budget	Actual outcome as % of original budget
(143,266,049)	(18,339,417)	(161,605,466)	-	-	(161,605,466)	(155,400,431)	-	6,205,035	96 %	108 %
28,733,951	35,580,583	64,314,534	-	-	64,314,534	76,988,417	-	12,673,883	120 %	268 %
-	-	-	-	-	-	(599,778)	-	(599,778)	DIV/0 %	DIV/0 %
28,733,951	35,580,583	64,314,534	-	-	64,314,534	76,388,639	-	12,074,105	118 %	266 %
28,733,951	35,580,583	64,314,534	-	-	64,314,534	76,388,639	-	12,074,105	119 %	266 %
28,733,951	35,580,583	64,314,534	-	-	64,314,534	76,388,639	-	12,074,105	119 %	266 %

Total expenditure  
Surplus/(Deficit)  
Gain on disposal of assets and liabilities  
Surplus (Deficit) after capital transfers and contributions  
Surplus/(Deficit) for the year

## Accounting Policies

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.2.1 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed, where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.2.1.1 Municipal Standard Chart of Accounts (mSCOA) Implementation and Reclassification

The Municipal Regulations on Standard Chart of Accounts promulgated in terms of Government Gazette 37577 dated 22 April 2014 apply to all municipalities and municipal entities and became effective from 1 July 2017. The main objective of this regulation is to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which:

a) are aligned to the budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard chart of accounts for national and provincial government; and

b) enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere.

The impact of this mSCOA regulations definitely affected the municipality's current business processes, transacting and reporting requirements.

### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

**1.3 Significant judgements and sources of estimation uncertainty (continued)**

**Trade receivables / Held to maturity investments and/or loans and receivables**

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

**Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 44 - Provisions.

**Useful lives of waste and water network and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

**Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

**1.4 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for 'X,X' and 'X' which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure	Straight line	30
• Roads and paving		20
• Stormwater drainage		30
Community		
• Buildings	Straight line	30
• Recreational Facilities		20-30
• Community Halls		30
• Parks and Gardens		30
• Libraries		30
Other property, plant and equipment		
• Buildings	Straight line	30
• Specialised Vehicles		10
• Other Vehicles		5
Equipment and Furniture		
• Office Equipment	Straight line	4
• Furniture and Fittings		7-10
• Bins and Containers		5
• Specialised plant and equipment		10-15
Other		
• Emergency Equipment	Straight line	15
• Computer Equipment		7
• Landfill Sites		15

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.



## Accounting Policies

### 1.4 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

## Accounting Policies

### 1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 Years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### 1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessional loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

## Accounting Policies

### 1.6 Financial instruments (continued)

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:

- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

## Accounting Policies

### 1.6 Financial instruments (continued)

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessional loan is in fact a loan. On initial recognition, the entity analyses a concessional loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessional loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

### 1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

## Accounting Policies

### 1.7 Leases (continued)

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.8 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

## Accounting Policies

### 1.8 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

### 1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## Accounting Policies

### 1.9 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

## Accounting Policies

### 1.9 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.10 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.



## Accounting Policies

### 1.11 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

**1.12 Revenue from non-exchange transactions (continued)**

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed, as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation. Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

**1.13 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

**1.14 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

**1.15 Unauthorised expenditure**

Unauthorised expenditure means:

- expenditure not in accordance with the purpose of a vote; and
  - overspending of a vote or a main division within a vote; and
- the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

**1.16 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

**1.17 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## Accounting Policies

### 1.18 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

### 1.19 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate. Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.20 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	30 June 2019	30 June 2018
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### 2. New standards and interpretations

New Standards, Amendments and Interpretations to GRAP Standards Approved but not yet effective:

GRAP 34	Separate Financial Statements	Effective date not approved
GRAP 35	Consolidated Financial Statements	Effective date not approved
GRAP 36	Investment in Associates and Joint Ventures	Effective date not approved
GRAP 37	Joint Arrangements	Effective date not approved
GRAP 38	Disclosure of Interest in other Entities	Effective date not approved
GRAP 104	Financial Instruments	Effective date not approved
GRAP 110	Living and Non-living Resources	Effective date not approved

### 3. Receivables from non exchange transactions

Consumer Debtors	13,951,757	7,844,755
Provision for Doubtful Debts	(3,384,478)	(2,286,279)
	<b>10,567,279</b>	<b>5,558,476</b>

### Reconciliation of provision for impairment of trade and other receivables

Opening balance	2,286,279	1,512,669
Provision for impairment	1,098,199	773,610
	<b>3,384,478</b>	<b>2,286,279</b>

### 4. Receivables from non-exchange transactions

Fines	1,513,397	5,121,778
Allowances for impairment	(1,513,397)	(5,121,778)
	<b>-</b>	<b>-</b>

### 5. VAT receivable

VAT	5,778,843	6,797,663
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# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 6. Summary of consumer debtors

	30 June 2019	30 June 2018
<b>Rates</b>		
Current (0 - 30 days)	1,670,805	1,149,465
31 - 60 days	5,232,875	379,706
61 - 90 days	283,272	340,258
91 - 120 days	264,484	311,471
121 - 365 days	6,500,321	5,663,914
	<b>13,951,757</b>	<b>7,844,814</b>

### Summary of consumer debtors by customer classification:

<b>Residential</b>		
Current (0 - 30 days)	325,019	469,301
31 - 60 days	131,635	121,975
61 - 90 days	108,881	110,228
91 - 120 days	103,146	100,673
121 - 365 days	2,878,847	2,587,703
	<b>3,647,527</b>	<b>3,389,880</b>
Less: Allowance for impairment	(1,929,152)	(1,498,203)
	<b>1,618,375</b>	<b>1,891,677</b>

<b>Commercial and Industrial</b>		
Current (0 - 30 days)	1,400,623	489,934
31 - 60 days	193,144	57,895
61 - 90 days	191,637	53,267
91 - 120 days	153,229	46,888
121 - 365 days	2,973,177	855,999
	<b>4,911,810</b>	<b>1,503,983</b>
Less: Allowance for impairment	(1,455,326)	(788,075)
	<b>3,456,484</b>	<b>715,908</b>

<b>National and provincial government</b>		
Current (0 - 30 days)	(54,837)	(4,938)
31 - 60 days	4,908,097	147,128
61 - 90 days	(17,246)	139,626
91 - 120 days	8,109	133,303
121 - 365 days	648,297	1,609,725
	<b>5,492,420</b>	<b>2,024,844</b>

<b>Business service levies</b>		
Current (0 - 30 days)	-	191,865
31 - 60 days	-	51,862
61 - 90 days	-	36,292
91 - 120 days	-	29,777
121 - 365 days	-	614,868
	<b>-</b>	<b>924,664</b>

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

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### 6. Summary of consumer debtors (continued)

	30 June 2019	30 June 2018
Regional services levies		
Current (0 - 30 days)	3,304	-
31 - 60 days	846	-
61 - 90 days	846	-
91 - 120 days	830	-
121 - 365 days	5,622	-
<b>Total</b>	<b>11,448</b>	<b>-</b>

	30 June 2019	30 June 2018
<b>Total</b>	<b>1,670,805</b>	<b>1,149,465</b>
Current (0 - 30 days)	5,232,875	379,706
31 - 60 days	283,272	340,258
61 - 90 days	264,484	311,471
91 - 120 days	6,500,321	5,663,914
121 - 365 days	13,951,757	7,844,814
Less: Allowance for impairment	(3,384,478)	(2,286,278)
<b>10,567,279</b>	<b>5,558,536</b>	

### 7. Consumer debtors summary reclassification

An amount under consumer debtors summary per category was previously disclosed as business levies, regional services levies under commercial and industrial, it has therefore been re-classified to commercial and industrial category.

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand  
Bank balances  
Other cash and cash equivalents

	30 June 2019	30 June 2018
25,512	114,495	
5,161,110	219,327	
34,574	94,644	
<b>5,221,196</b>	<b>428,466</b>	

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## **Notes to the Annual Financial Statements**

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### **8. Cash and cash equivalents (continued)**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
ABSA BANK - Account Type -	5,161,109	219,327	1,567,153	5,161,109	219,327	1,574,832
Cheque - 40 5385 7155						
ABSA Bank - Account Type -	1,010	1,500	17,172	1,010	1,500	17,172
Traffic - 40 7854 4599						
ABSA BANK - Account Type -	2,024	2,039	2,039	2,024	2,039	2,039
INEG - 92 8652 5057						
ABSA BANK - Account Type -	2,164	1,507	1,603	2,164	1,507	1,603
MIG - 92 8651 3913						
ABSA BANK - Account Type -	993	1,107	1,144	993	1,107	1,144
EPWP - 92 8651 3769						
ABSA BANK - Account Type -	1,096	1,203	1,211	1,096	1,203	1,211
FMG - 92 8652 5340						
ABSA BANK - Account Type -	1,338	1,425	1,452	1,338	1,425	1,452
MSIG - 92 8651 3028						
ABSA BANK - Account Type -	2,050	2,062	2,817	2,050	2,062	2,817
Call Account - 91 0739 9765						
ABSA BANK - Account Type -	1,089	2,495	11,449	1,089	2,495	11,449
Traffic 40 6506 2322						
ABSA BANK - Account Type -	22,809	81,582	-	22,809	81,582	-
ABSA BANK - Account Type -	5,195,682	314,247	1,606,040	5,195,682	314,247	1,613,719
<b>Total</b>						

### **9. Property, plant and equipment**

	2019			2018		
	Cost /	Accumulated depreciation and impairment	Carrying value	Cost /	Accumulated depreciation and impairment	Carrying value
Land	10,404,853	-	10,404,853	10,404,853	-	10,404,853
Machinery and Equipment	1,342,659	(637,542)	705,117	2,427,599	(1,440,930)	986,669
Furniture and Office Equipment	3,941,707	(1,680,017)	2,261,690	3,176,562	(1,919,173)	1,257,389
Computer equipment	3,005,089	(537,971)	2,467,118	2,332,273	(1,173,727)	1,158,546
Leased Transport Assets	7,019,883	(2,950,460)	4,069,423	9,672,492	(4,270,479)	5,402,013
Road Infrastructure	94,006,673	(19,750,025)	74,256,648	88,913,074	(16,771,707)	72,141,367
Community Assets	117,983,857	(26,839,964)	91,143,893	111,734,903	(23,647,526)	88,087,377
Water Supply Infrastructure	286,174	(199,710)	86,464	286,174	(195,705)	90,469
Other Assets	28,646	(5,198)	23,448	28,646	(3,395)	25,251
Leased Furniture and Office Equipment	62,583,310	(8,655,609)	53,927,701	20,219,945	(8,099,673)	12,120,272
Work in Progress	53,030,251	-	53,030,251	50,859,612	-	50,859,612
Transport Assets	7,115,347	(3,524,040)	3,591,307	6,821,909	(4,423,636)	2,398,273
Heritage	1,972,697	(66,857)	1,905,840	-	-	-
<b>Total</b>	<b>362,721,146</b>	<b>(64,847,393)</b>	<b>297,873,753</b>	<b>308,052,365</b>	<b>(63,112,667)</b>	<b>244,939,698</b>

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**9. Property, plant and equipment (continued)**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Donations Received	Transfers	Depreciation	Total
Land	10,404,853	-	-	-	-	-	10,404,853
Machinery and equipment	986,669	91,989	(247,057)	-	-	(126,484)	705,117
Furniture and office equipment	1,257,389	1,345,101	(125,171)	-	-	(215,629)	2,261,690
Computer equipment	1,158,546	2,039,219	(434,623)	-	-	(259,703)	2,467,118
Leased transport assets	5,402,013	-	(702,340)	-	-	(630,250)	4,069,423
Road infrastructure	72,141,367	434,612	-	-	-	-	74,256,648
Community assets	88,087,377	532,144	-	-	-	(3,192,435)	91,143,893
Storm water infrastructure	90,469	-	-	-	-	(4,005)	86,464
Water supply infrastructure	25,251	-	-	-	-	(1,803)	23,448
Other assets	12,120,272	-	-	-	-	(555,936)	53,927,701
Leased furniture and office equipment	7,607	-	(6,022)	-	-	(1,585)	-
Work in progress	50,859,612	54,909,797	-	-	-	-	53,030,251
Transport assets	2,398,273	-	-	2,083,097	-	(890,063)	3,591,307
ICT Infrastructure	-	1,972,697	-	-	-	(66,857)	1,905,840
	244,939,698	61,325,559	(1,515,213)	2,083,097	-	(8,923,067)	297,873,753



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## **Notes to the Annual Financial Statements**

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### **9. Property, plant and equipment (continued)**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Donations Recieved	Transfers	Depreciation	Impairment loss	Total
Land	10,404,853	-	-	-	-	-	-	10,404,853
Machinery and Equipment	360,377	15,083	-	736,295	-	(125,086)	-	986,669
Furniture and office equipment	936,544	118,930	-	327,581	-	(125,666)	-	1,257,389
Computer equipment	912,125	337,994	-	64,272	-	(155,845)	-	1,158,546
Leased transport assets	6,531,842	-	(431,773)	-	-	(698,056)	-	5,402,013
Road infrastructure	60,010,018	-	-	-	14,708,988	(2,577,639)	-	72,141,367
Community assets	82,257,715	-	-	-	8,664,298	(2,834,636)	-	88,087,377
Storm water infrastructure	94,473	-	-	-	-	(4,004)	-	90,469
Water supply infrastructure	27,055	-	-	-	-	(1,804)	-	25,251
Other Assets	12,558,532	-	-	-	-	(438,260)	-	12,120,272
Leased furniture and office equipment	9,509	-	-	-	-	(1,902)	-	7,607
Work in progress	54,084,487	27,812,129	-	-	(23,373,286)	(768,548)	-	50,859,612
Transport Assets	1,013,879	2,152,942	-	-	-	-	-	2,398,273
	229,201,409	30,437,078	(431,773)	1,128,148	-	(7,731,446)	-	244,939,698
	(7,663,718)							

Pledged as security

None of the Municipal assets are pledged as security

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure Community	Included within	Total
Opening balance	50,859,612	50,859,612	50,859,612
Additions/capital expenditure	40,001,781	40,001,781	54,909,798
Transferred to completed items	(4,658,986)	(48,080,172)	(52,739,158)
	10,564,381	42,465,871	53,030,252

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## Notes to the Annual Financial Statements

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### 9. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2018

	Included within Road infrastructure	Included within Community Assets	Total
Opening balance	6,931,297	47,153,189	54,084,486
Additions/capital expenditure	8,093,041	19,719,088	27,812,129
Impairment	-	(7,663,717)	(7,663,717)
Transferred to completed items	(14,708,988)	(8,664,298)	(23,373,286)
	315,350	50,544,262	50,859,612

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Computer Equipment	-	22,354
Furniture & Office Equipment	66,034	28,385
Leased Transport Assets	396,335	421,775
Road Infrastructure	-	937,082
Community Assets	1,512,887	3,647,947
Other Assets	208,239	194,868
Transport Assets	589,465	578,971
Machinery and Equipment	84,467	-
	2,857,427	5,831,382

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 10. Intangible assets

	2019	2018
Cost / Accumulated amortisation	3,416,802	3,416,802
Valuation	(94,867)	(94,867)
Carrying value	2,471,935	2,471,935
Cost / Accumulated amortisation and impairment	1,371,925	1,371,925
Valuation	(610,145)	(610,145)
Carrying value	761,780	761,780

#### Reconciliation of intangible assets - 2019

Computer software, other	Opening balance	Additions	Amortisation	Total
	761,780	2,044,877	(334,722)	2,471,935

#### Reconciliation of intangible assets - 2018

Computer software, other	Opening balance	Additions	Amortisation	Total
	950,294	112,454	(300,968)	761,780

# **uMfolozi Municipality**

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## **Notes to the Annual Financial Statements**

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### **10. Intangible assets (continued)**

**Pledged as security**

None of the Municipal assets pledged as security:

### **11. Other financial liabilities**

**At amortised cost**

- non-current liabilities

- current liabilities

The following loan bears interest at 10.93% per annum, with bi-annual instalments of R611 853.57 in July and January. The loan is repayable by 1 January 2020 and the capital portion amounts to R336 212.37

5,341,865	1,223,000
5,865,978	1,223,707

**Non-current liabilities**  
Designated at fair value

5,341,865	5,865,978
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**Current liabilities**  
Designated at fair value

1,223,000	1,223,707
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### **12. Finance lease obligation**

**Minimum lease payments due**

- within one year

- in second to fifth year inclusive

1,566,251	2,112,569
1,686,555	3,562,153

less: future finance charges

**Present value of minimum lease payments**

2,894,588	4,886,085
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**Present value of minimum lease payments due**

- within one year

- in second to fifth year inclusive

1,329,600	1,692,401
1,564,988	3,193,684

**Non-current liabilities**  
Current liabilities

1,564,988	3,193,684
1,329,600	1,692,401
2,894,588	4,886,085

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10% (2018: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

# **uMfolozi Municipality**

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## **Notes to the Annual Financial Statements**

Figures in Rand

	30 June 2019	30 June 2018
<b>13. Payables from exchange transactions</b>		
Trade payables	12,961,398	22,430,738
Unallocated Deposits	48,873	-
Accrued leave pay	2,883,758	2,002,236
Other creditors	4,387,488	4,305,985
Retention	3,561,323	3,430,648
	<b>23,842,840</b>	<b>32,169,607</b>

### **14. Unspent conditional grants and receipts**

Unspent conditional grants and receipts comprises of:

#### **Unspent conditional grants and receipts**

Municipal Infrastructure Grant	59,110	-
Spatial Development Framework Grant	260,964	260,964
Library Grant	581,877	1,492,916
Beach Access Grant	243,647	172,498
Development Planning and Shared Services Grant	172,498	434,840
Small Town Rehabilitation Grant	336,034	2,502,304
Sports and Recreation Grant	17,410	-
Thusong Centre Grant	673,045	57,000
Schemes Support Programme Grant	327,000	-
Maintenance of Sport Facilities Grant	487,099	-
	<b>3,099,574</b>	<b>5,223,279</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 20 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

### **15. Service charges**

Refuse removal

### **16. Rental of facilities and equipment**

Premises

### **17. Operational Revenue**

Sale of tender documents  
SDL refund  
Staff recoveries  
Insurance proceeds  
Donations

60,836	29,391
72,510	88,274
-	(2,994)
-	64,457
500,000	195,500
<b>633,346</b>	<b>374,628</b>
122,991	64,744

# **uMfolozi Municipality**

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## **Notes to the Annual Financial Statements**

Figures in Rand		30 June 2019	30 June 2018
<b>18. Interest Received</b>			
Trade and other receivables		567,327	706,738
Investment		1,155,109	416,486
		<b>1,722,436</b>	<b>1,123,224</b>
<b>19. Property rates</b>			
Rates billed		32,981,677	20,762,192
Property rates		(6,403,727)	(7,278,628)
Less: Income forgone		<b>26,577,950</b>	<b>13,483,564</b>

# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 20. Government grants and subsidies

Operating grants		
Equitable share	115,041,000	107,114,000
Housing Grant	529,597	-
Sports and Recreation Grant	6,984,894	2,772,253
Small Town Rehabilitation Grant	98,805	3,198,389
Library Grant	3,537,040	1,366,513
Financial Management Grant	1,900,000	1,900,000
Expanded Public Works Program Grant	1,620,000	1,418,000
Integrated National Electrification Grant	11,000,000	13,000,000
Thusong Centre Grant	76,955	-
Municipal System Improvement Grant	1,055,000	-
Schemes Support Programme Grant	230,000	-
Maintenance of Sport Facilities Grant	12,901	-
<b>Capital grants</b>	<b>142,086,192</b>	<b>130,769,155</b>
<b>Municipal Infrastructure Grants</b>	<b>25,761,110</b>	<b>26,563,890</b>
<b>Equitable Share</b>	<b>167,847,302</b>	<b>157,333,045</b>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a subsidy of R 907,831 per year which is funded from the grant.

### Municipal Infrastructure Grant

Balance unspent at beginning of year	59,110	-
Current-year receipts	25,761,000	26,623,000
Conditions met - transferred to revenue	(25,761,110)	(26,563,890)
Other - Repayment	(59,000)	-
	<b>59,110</b>	<b>59,110</b>

The grant was used to accelerate basic infrastructure backlogs for the benefit of poor households. The amount transferred to operating relates to projects budgeted for as capital and for financial reporting purposes the assets recognition criteria is met. The revenue recognition met the conditions of the grant.

### Spatial Development Framework

Balance unspent at beginning of year

Conditions still to be met - remain liabilities (see note 14).

### Housing Grant

Balance unspent at beginning of year	-	1,431,956
Current-year receipts	529,597	-
Conditions met - transferred to revenue	(529,597)	(1,431,956)
	<b>-</b>	<b>-</b>

This grant is unconditional and was used for human settlement operational expenses within the municipality.

**Notes to the Annual Financial Statements**

Figures in Rand

**20. Government grants and subsidies (continued)**

**Library Grant**

Balance unspent at beginning of year	1,492,423	851,936
Current-year receipts	2,626,000	2,007,000
Conditions met - transferred to revenue	(3,537,039)	(1,366,513)
	<b>581,877</b>	<b>1,492,423</b>

Conditions still to be met - remain liabilities (see note 14).

**Beach Access Upgrade Grant**

Balance unspent at beginning of year	243,647	243,647
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Conditions still to be met - remain liabilities (see note 14).

**Development Planning and Shared Services Grant**

Balance unspent at beginning of year	172,498	172,498
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Conditions still to be met - remain liabilities (see note 14).

**Small Town Rehabilitation Grant**

Balance unspent at beginning of year	434,840	1,633,228
Current-year receipts	-	2,000,000
Conditions met - transferred to revenue	(98,806)	(3,198,388)
	<b>336,034</b>	<b>434,840</b>

Conditions still to be met - remain liabilities (see note 14).

**Sports and Recreation Grant**

Balance unspent at beginning of year	2,502,304	1,274,557
Current-year receipts	4,500,000	4,000,000
Conditions met - transferred to revenue	(6,984,894)	(2,772,253)
	<b>17,410</b>	<b>2,502,304</b>

Conditions still to be met - remain liabilities (see note 14).

**Financial Management grant**

Current-year receipts	1,900,000	1,900,000
Conditions met - transferred to revenue	(1,900,000)	(1,900,000)
	<b>-</b>	<b>-</b>

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 20. Government grants and subsidies (continued)

#### Expanded public works program grant

Current-year receipts  
Conditions met - transferred to revenue

1,620,000	1,418,000
(1,620,000)	(1,418,000)
-	-

#### Integrated national electrification grant

Current-year receipts  
Conditions met - transferred to revenue

11,000,000	13,000,000
(11,000,000)	(13,000,000)
-	-

Conditions still to be met - remain liabilities (see note 14).

#### Thusong Centre Grant

Current-year receipts  
Conditions met - transferred to revenue

750,000	(76,955)
-	-
-	-

Conditions still to be met - remain liabilities (see note 14).

#### Schemes support program Grant

Balance unspent at beginning of year  
Current-year receipts  
Conditions met - transferred to revenue

57,000	57,000
500,000	500,000
(230,000)	(230,000)
327,000	57,000

Conditions still to be met - remain liabilities (see note 14).

#### Maintenance of Sport Facilities Grant

Current-year receipts  
Conditions met - transferred to revenue

500,000	(12,901)
-	-
-	-

Conditions still to be met - remain liabilities (see note 14).

#### Municipal System Improvement Grant

Current-year receipts

Conditions still to be met - remain liabilities (see note 14).

1,055,000	-
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# uMfolozi Municipality

(Registration number KZN281)  
Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	30 June 2019	30 June 2018
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### 21. Donations received

Library - Department of Art and Culture

Thusong Centre and Testing Ground - Richards Bay Minerals

Isuzu Truck - Richards Bay Minerals

1,128,147	-	30,813,515
-	2,083,097	-
<b>1,128,147</b>	<b>32,896,612</b>	<b>1,128,147</b>

Richards Bay Minerals donated for the construction of Thusong Centre, Testing Centre and Isuzu Truck.

## uMfolozi Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 22. Employee related costs

	30 June 2019	30 June 2018
Basic	36,099,685	30,775,180
Bonus	2,075,517	1,790,022
Medical aid - company contributions	2,629,107	2,460,262
Uf	268,501	243,792
SDL	567,397	490,091
Pension	4,070,124	3,619,841
Leave pay provision charge	881,522	90,211
Overtime payments	3,016,364	1,905,707
Car allowance	4,973,897	4,588,710
Housing benefits and allowances	171,479	161,911
Cellphone Allowances	422,377	310,238
Group Life Insurance	1,027,042	1,184,710
Bargaining Council	15,759	13,901
<b>56,218,771</b>	<b>47,634,576</b>	

### Remuneration of Municipal Manager

Annual Remuneration	690,121
Car Allowance	279,438
Contributions to UIF, Medical Aid and Bargaining Council	55,882
<b>975,392</b>	<b>1,465,681</b>

### Remuneration of Chief Finance Officer

Annual Remuneration	598,927
Car Allowance	180,000
Contributions to UIF, Medical Aid and Bargaining Council	4,423
<b>783,350</b>	<b>453,624</b>

### Remuneration of Corporate Services Director

Annual Remuneration	787,125
Car Allowance	109,083
Contributions to UIF, Medical Aid and Bargaining Council	4,928
<b>901,136</b>	<b>891,809</b>

### Remuneration of Technical Services Director

Annual Remuneration	585,690
Car Allowance	191,194
Contributions to UIF, Medical Aid and Bargaining Council	4,941
<b>781,825</b>	<b>944,265</b>

### Remuneration of Community Services Director

Annual Remuneration	348,795
Car Allowance	123,265
Contributions to UIF, Medical Aid and Bargaining Council	5,064
<b>477,124</b>	<b>1,025,154</b>

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 23. Remuneration of councillors

	30 June 2019	30 June 2018
Mayor	345,666	333,012
Deputy Mayor	276,533	266,409
Executive Committee Members	856,892	749,291
Speaker	368,710	355,212
Councillors Allowances	6,195,406	6,035,602
Cellphone Allowances	1,346,400	1,346,400
Travel Allowances	1,333,242	1,286,013
Data Allowances	118,800	118,800
<b>10,841,649</b>	<b>10,490,739</b>	

### 24. Depreciation and amortisation

Property, plant and equipment	8,923,065	7,731,097
Intangible assets	334,722	300,968
<b>9,257,787</b>	<b>8,032,065</b>	

### 25. Impairment of assets

Impairments	-	7,663,718
Property, plant and equipment		
No impairments occurred during the current financial year.		

### 26. Finance costs

Non-current borrowings	698,887	806,121
Finance leases	414,378	600,989
Other interest paid	62,734	202,542
<b>1,175,999</b>	<b>1,609,652</b>	

### 27. Debt impairment

Debt impairment	775,434	561,009
Contributions to debt impairment provision	1,098,199	773,610
Bad debts written off-Traffic Fines	1,513,397	5,121,778
<b>3,387,030</b>	<b>6,456,397</b>	

### 28. Contracted services

<b>Outsourced Services</b>		
Catering Services	1,894,390	3,845,491
Cleaning Services	1,137,658	774,408
Fleet Services	(5,661)	15,248
Information Technology Services	2,648,442	4,264,255
Other contractors	873,500	995,114
<b>Consultants and Professional Services</b>		
Business and Advisory	13,602,865	10,213,305
Infrastructure and Planning	-	376,919
Legal Cost	155,444	376,068

# **uMfolozi Municipality**

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## **Notes to the Annual Financial Statements**

Figures in Rand

### **28. Contracted services (continued)**

**Contractors**  
Event Promoters  
Integrated National Electrical Program  
Maintenance of Unspecified Assets  
Medical Services  
Safeguard and Security  
Sewerage Services  
Stage and Sound Crew

### **29. Transfers and Subsidies**

Transfers and Subsidies

### **30. Operational Costs**

Advertising, marketing and publicity  
Auditors remuneration  
Bank charges  
Bursaries  
Computer expenses  
Conferences and seminars  
Consulting and professional fees  
Consumables  
Electricity  
Entertainment  
Fuel and oil  
Management Fee  
Hire  
Indigent  
Insurance  
Motor vehicle expenses  
Postage and courier  
Sitting Allowance  
Printing and stationery  
Staff welfare  
Sundries  
Telephone and fax  
Travel - local  
Uniforms  
Ward committees remuneration

### **31. Auditors' remuneration**

Fees

### **32. Expenditure reclassification**

An amount of R51,978 was classified as gift in previous year, but it has been reclassified as advertising, marketing and publicity.

30 June 2018	30 June 2019
7,954,498	8,893,191
2,209,675	2,180,205
218,648	175,234
187,800	473,656
121,336	1,092,412
219,306	157,673
1,534,943	855,182
2,442,947	2,369,150
2,252,387	2,383,265
158,224	93,908
2,713,189	3,274,030
176,131	-
959,308	1,778,131
381,517	1,802,362
395,368	386,562
7,110	-
11,847	1,279
10,000	2,000
356,382	460,200
345,750	276,148
229,868	345,653
1,330,986	1,087,012
4,394,864	4,716,741
508,622	299,208
1,549,256	2,085,100
<b>30,669,962</b>	<b>35,188,302</b>
<b>2,209,675</b>	<b>2,180,205</b>
<b>1,531,755</b>	<b>562,087</b>
<b>44,698,139</b>	<b>38,161,424</b>
773,178	664,229
11,333,945	8,181,178
5,831,382	2,857,427
165,208	168,351
5,279,901	5,192,562
269,423	363,144
184,294	427,895
<b>44,698,139</b>	<b>38,161,424</b>

# **uMfolozi Municipality**

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Annual Financial Statements for the year ended 30 June 2019

## **Notes to the Annual Financial Statements**

Figures in Rand

### **33. Cash generated from operations**

Surplus

**Adjustments for:**

Depreciation and amortisation

Gain (loss) on sale of assets and liabilities

Impairment deficit

Debt impairment

Movements in provisions

Other non-cash items

**Changes in working capital:**

Receivables from non exchange transactions

Consumer debtors

Other receivables from non-exchange transactions

Payables from exchange transactions

VAT

Unspent conditional grants and receipts

30 June 2019	30 June 2018
76,388,639	20,866,729
9,257,787	8,032,064
599,778	(216,227)
-	7,663,718
3,387,030	6,456,397
40,000	40,000
(491,200)	206,382
(5,008,803)	(220,126)
(3,387,030)	(6,456,397)
-	61,938
(8,981,602)	(2,317,498)
1,018,820	(906,155)
(2,123,705)	(821,170)
<b>70,699,714</b>	<b>32,389,655</b>

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

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30 June  
2019

30 June  
2018

### 34. Financial instruments disclosure

#### Categories of financial instruments

2019

#### Financial assets

Other receivables from non-exchange transactions  
Cash and cash equivalents

At amortised cost	Total
10,567,279	10,567,279
5,221,196	5,221,196
<b>15,788,475</b>	<b>15,788,475</b>

#### Financial liabilities

Other financial liabilities  
Trade and other payables from exchange transactions  
Finance Leases

At amortised cost	Total
6,564,865	6,564,865
23,842,840	23,842,840
2,894,588	2,894,588
<b>33,302,293</b>	<b>33,302,293</b>

2018

#### Financial assets

Trade and other receivables from exchange transactions  
Cash and cash equivalents

At amortised cost	Total
5,558,476	5,558,476
428,466	428,466
<b>5,986,942</b>	<b>5,986,942</b>

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

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### 34. Financial instruments disclosure (continued)

#### Financial liabilities

	At amortised cost	Total
Other financial liabilities	7,089,685	7,089,685
Trade and other payables from exchange transactions	30,825,371	30,825,371
Finance Leases	4,886,085	4,886,085
	<b>42,801,141</b>	<b>42,801,141</b>

#### 35. Commitments

##### Authorised capital expenditure

##### Already contracted for but not provided for

- Property, plant and equipment
- Investment property

15,435,631	-	15,435,631
1,319,031	1,822,259	3,141,290
		<b>15,435,631</b>
		<b>3,141,290</b>

##### Total capital commitments

Already contracted for but not provided for

15,435,631	3,141,290
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#### 36. Comparative figures

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

The effects of the reclassification are as follows:

#### 37. Unauthorised expenditure

Unauthorised expenditure

Current year

115,288,800	-	115,288,800
89,001,176	26,287,624	115,288,800
		<b>115,288,800</b>

No Unauthorised expenditure for the current year.

#### 38. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure

Current year

1,248,636	62,734	1,248,636
1,052,074	196,562	1,248,636
		<b>1,248,636</b>

#### 39. Irregular expenditure

Opening balance

Add: Irregular Expenditure - current year

Less: Amounts condoned

88,896,813	21,802,953	73,505,116
15,391,697	(70,512,131)	-
		<b>40,187,635</b>
		<b>88,896,813</b>

## Notes to the Annual Financial Statements

Figures in Rand

### 39. Irregular expenditure (continued)

The amount is as a result of contracts which were renewed but could not meet the requirements of Section 116. Such contracts had term or period attached to them and could not be cancelled because there is no clause on contracts which allows for termination based on poor performance or poor services delivered. Such amounts will be submitted to council for condonation of irregular expenditure.

### 40. Events after the reporting date

There were no adjusting events after reporting period.

### 41. Prior period errors

An amount of R87,719.00 was incorrectly reversed as a liability but was not initially raised as a liability and thus resulted in liabilities and expenditure being understated for 2017/2018 financial year.

An amount of R 97,810.81 was incorrectly expensed in previous year, but it meet recognition criteria of an asset, therefore assets were understated and expenses overstated.

The correction of the error(s) results in adjustments as follows:

Opening accumulated surplus	2019	2018
Adjustment - Payables from exchange transaction	209,077,426	209,077,426
Adjustment - PPE	(87,719)	-
Closing accumulated surplus	209,087,518	209,087,518
	<b>2019</b>	<b>2018</b>
	<b>209,087,518</b>	<b>209,077,426</b>

### 42. Risk management

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

<b>Financial instrument</b>	<b>2019</b>	<b>2018</b>
Receivables	10,567,279	5,558,476
Fixed interest loan to ABSA	6,564,865	7,089,685
<b>43. Additional disclosure in terms of Municipal Finance Management Act</b>		

#### VAT

VAT receivable

5,778,843	6,797,663
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VAT output payables and VAT input receivables are shown in note 5.

All VAT returns have been submitted by the due date throughout the year.



# Mfotlozi Municipality

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## Notes to the Annual Financial Statements

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30 June 2019  
30 June 2018

### 43. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

There were no Councillors who had arrear accounts outstanding for more than 90 days at 30 June 2019:

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

#### Current year deviations for section 36

Emergency quotations  
Goods/ services were urgently required  
Preferred supplier  
Goods/ services required are produced/ available from single provider  
Only two quotations were received

147,679	62,565	318,656
230,421	135,388	531,227
328,516	125,537	795,167
25,986	125,537	1,110,808

### 44. Provisions

#### Reconciliation of provisions - 2019

Legal proceedings

Opening Balance	40,000
Total	40,000

#### Reconciliation of provisions - 2018

Legal proceedings

Opening Balance	-	40,000
Additions	40,000	
Total	40,000	40,000

#### Legal proceedings provisions

Dondotha Housing Project

This is an Equality Court referral against the Municipality. The matter is litigated and ready for trial.

### 45. Contingencies

Funitkomo Mpungose/ uMfolozi Local Municipality & 3 others

Telkom

Lommel Construction/ Bencon Richards Bay CC

-	20,000
-	309,884
-	150,000
-	479,884

No Contingencies occurred during the current financial year.

## Notes to the Annual Financial Statements

Figures in Rand

30 June 2019	30 June 2018
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### 46. Budget differences

#### Material differences between budget and actual amounts

1. Service Charges - There were delays in extending refuse removal services to other areas within municipal jurisdiction.
2. Rental of facilities and equipment - The demand for renting out municipal hall decreased.
3. Interest Received (Debtors) - Increase in amount of debtors owed to municipality for more than 60 days due to increase in approved tariffs
4. Licences and permits - High demand in learners licence application.
5. Fines, Penalties and Forfeits - There was a higher number of roadblocks done during the year.
6. Other Revenue - There was a donation from the King Cetshwayo District Municipality.
7. Public contributions and donations - We received less because testing ground is not complete.
8. Employee Related Costs - New positions and notch backpay during the year.
9. Depreciation and amortisation - More Work in progress projects were completed and assets donated during the current year.
10. Lease rentals - New photocopying machines were leased during the current year.
11. Debt impairment - Less number of traffic fines issued than the anticipated.
12. Contracted services - Decrease in catering services and Integrated National Electrical Program during the current year.
13. Operational costs - Increase in fuel and oil plus gifts during current year.

#### Changes from the approved budget to the final budget

- Property rates-Original budget was based on collection and adjusted to billing.
- Property rates penalties and collection charges were adjusted it was under budgeted originally.
- Rental of Office building - It was still under construction.
- Traffic fines was increased as the municipality anticipated to collect more as surplus funds were invested in liquidity plus account that generated more interest.
- Government Grants-R4,500,000 from Sport and Recreation for completion of Mawombe sport field, reduced by R49,000 and R100,000 for Schemes Support.
- Donations were adjusted by R33,000,000 due to funding for completion of Thusong Centre and testing ground
- Capital Transfers were also adjusted and included the R2 million for Small Town Rehabilitation.
- Remuneration for councillors has been adjusted because of the Gazette on upper limits issued in December 2018
- Licences were reduced as it was not realistic to collect as anticipated. There has been reduction in demand for learners licences.
- Depreciation was adjusted as it was under budgeted when compared to previous years actual and also taking into account projects that were to be completed in the current year.
- Contracted services-Extension of scope on cleaning, security, marketing and branding.

**uMfolozi Municipality**

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**Notes to the Annual Financial Statements**

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30 June 2019	30 June 2018
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**46. Budget differences (continued)**

Operational costs-The municipality anticipated to collect more funds hence expenditure was allocated more on operational projects there were originally under budgeted.

Analysis of property, plant and equipment as at 30 June 2019	Cost/Revaluation	Accumulated depreciation
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[illegible]

## Appendix B

Analysis of property, plant and equipment as at 30 June 2019	Cost/Revaluation	Accumulated depreciation
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Umtoloti Municipality

**Accumulated depreciation**

Opening Rand	Additions	Disposals	Transfers	Revaluations	Other changes, movements, Rand	Closing Balance, Rand	Opening Balance, Rand	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance Rand	Carrying Rand
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Total property plant and equipment

308,424,268	65,463,533	(8,703,668)	1	-	-	-	366,174,234	(63,722,800)	7,188,346	-	-	-	(6,267,766)	(65,782,243)	300,961,991
1,371,935	2,044,877	(8,703,558)	(10,375,793)	-	-	-	3,416,802	(610,145)	-	-	-	-	-	-	-
107,089,532	60,469,204	(8,703,558)	(10,375,793)	-	-	-	148,478,386	(22,494,334)	7,188,346	-	-	-	(2,679,649)	(17,086,638)	130,493,747
111,734,907	532,143	5,716,808	-	-	-	-	117,083,868	(23,647,514)	-	-	-	-	(3,182,435)	(26,839,948)	91,143,909
89,227,894	2,407,309	4,658,986	-	-	-	-	96,284,189	(16,970,807)	-	-	-	-	(3,050,982)	(20,021,789)	76,272,400
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,371,935	2,044,877	-	-	-	-	-	3,416,802	(610,145)	-	-	-	-	-	-	-
1,371,935	2,044,877	-	-	-	-	-	3,416,802	(610,145)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
308,053,333	63,406,666	(8,703,668)	1	-	-	-	362,757,432	(63,112,655)	7,188,346	-	-	-	(6,823,066)	(64,847,376)	297,910,056
107,089,532	60,469,204	(8,703,558)	(10,375,793)	-	-	-	148,478,334	(22,494,334)	7,188,346	-	-	-	(2,679,649)	(17,086,638)	130,493,747
111,734,907	532,143	5,716,808	-	-	-	-	116,987,868	(23,647,514)	-	-	-	-	(3,182,435)	(26,839,948)	91,143,909
89,227,894	2,407,309	4,658,986	-	-	-	-	96,284,189	(16,970,807)	-	-	-	-	(3,050,982)	(20,021,789)	76,272,400

## Appendix B

Analysis of property, plant and equipment as at 30 June 2018

uMfolozi Municipality  
Appendix B

Analysis of property, plant and equipment as at 30 June 2018  
Cost/Revaluation  
Accumulated depreciation

Opening Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements, Balance Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
3 844,112	2 408,215	783,605	1,884,369	1,884,369	6,428,471	13 644,107	(3 844,107)	(442,833)	(442,833)	(127,651)	(4 414,591)	1 013,890	
General vehicles													
Plant & equipment													
Computer equipment													
Computer software (part of computer equipment)													
Furniture & fittings	2 405,330	20 743			2 640,943	(1 432,774)	(2 565,197)	(45,948)	(45,948)	(207,157)	(1 685,679)	855 064	
Leased Vehicles	5 794 803				10 839 083	(2 548 197)	(12 548 197)			(1 389 961)	(1 389 961)	6 713 645	
Office equipment - Leased	1 174 323				1 174 323	(592 425)	(592 425)			(1 72 389)	(1 72 389)	855 064	
Other movable assets	531 298				531 298	(531 298)	(531 298)					855 064	
Markets													
Security measures													
Civic land and buildings													
Buildings	7 902 205	95 163			7 997 369	(4 051 200)	(4 051 200)			(294 876)	(4 346 076)	3 651 193	10 404 853
Land													
Site and containers													
Work in progress	72 418 438	36 565 107	(50 075 978)		5 378 684	64 306 251						64 306 251	
Other													
Other Assets - Leased													
Surplus Assets - (Investment or Inventory)													
Housing development													
Other													
107 983 578	41 320 618	(50 075 978)	7 077 913		106 808 131	(15 078 245)	(15 078 245)			(458 781)	(2 171 134)	117 738 180	88 587 971



Umtlozi Municipality  
Appendix B

Analysis of property, plant and equipment as at 30 June 2018  
Cost/Revaluation  
Accumulated depreciation

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying Value Rand
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Land and buildings	50,893,237	-	-	-	-	81,462,508	81,462,508	99,465,188	99,465,188	(13,099,241)	-	(15,308,591)	66,153,917
Infrastructure	71,289,074	-	-	-	-	8,670,377	8,670,377	19,506,707	19,506,707	(18,039,607)	(1,425,761)	(22,428,932)	77,036,226
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	107,983,578	41,320,618	(50,075,978)	-	-	7,077,913	106,306,131	(15,078,245)	(15,078,245)	(488,781)	(2,171,134)	(17,738,169)	88,567,971
Agricultural/Biological assets	41,320,618	-	-	-	-	15,748,290	288,493,266	(46,367,954)	(46,367,954)	(1,914,542)	(7,502,824)	(65,784,569)	232,708,406
Investment properties	162,978	1,096,491	-	-	-	1,259,469	1,259,469	(151,401)	(151,401)	-	-	(309,177)	950,292
Computer & software & other	162,978	1,096,491	-	-	-	1,259,469	1,259,469	(151,401)	(151,401)	-	-	(309,177)	950,292
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-
Land and buildings	50,893,237	-	-	-	-	81,462,508	81,462,508	99,465,188	99,465,188	(13,099,241)	-	(15,308,591)	66,153,917
Infrastructure	71,289,074	-	-	-	-	8,670,377	8,670,377	19,506,707	19,506,707	(18,039,607)	(1,425,761)	(22,428,932)	77,036,226
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	107,983,578	41,320,618	(50,075,978)	-	-	7,077,913	106,306,131	(15,078,245)	(15,078,245)	(488,781)	(2,171,134)	(17,738,169)	88,567,971
Agricultural/Biological assets	41,320,618	-	-	-	-	15,748,290	288,493,266	(46,367,954)	(46,367,954)	(1,914,542)	(7,502,824)	(65,784,569)	232,708,406
Investment properties	162,978	1,096,491	-	-	-	1,259,469	1,259,469	(151,401)	(151,401)	-	-	(309,177)	950,292
Computer & software & other	162,978	1,096,491	-	-	-	1,259,469	1,259,469	(151,401)	(151,401)	-	-	(309,177)	950,292
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-